

## **CHAPTER 1: OVERVIEW**

### **SECTION 1: INTRODUCTION TO THE FIELD OFFICE HANDBOOK**

#### **1.1 WELCOME TO THE FIELD OFFICE HANDBOOK**

This handbook provides Agency staff with the tools needed to originate loans efficiently and effectively. Its goal is to help Loan Originators and Loan Approval Officials in Field Offices move applicants through the origination process smoothly, while making sure that basic legal and administrative requirements are met. The handbook:





- Describes loan processing policies and establishes procedures for originating Section 502 direct loans and Section 504 loans and grants;
- Provides policies and procedures for managing and disposing of Real Estate Owned (REO) properties; and
- Describes, in general terms, the role of the Centralized Servicing Center (CSC) and provides guidance for conducting servicing activities in which the Field Office may be involved.

The guidance provided by this handbook is intended to be consistent with all applicable laws, Executive Orders, and Departmental regulations, including other Agency regulations. Nothing contained in this handbook should be construed to supersede, rescind, or otherwise amend such laws, Executive Orders, and regulations.


#### **1.2 USING THIS HANDBOOK**

The handbook is organized to allow the reader to look up information on specific topics easily. New staff may want to read the handbook in its entirety, while more experienced staff may use it as a reference book. Several graphic tools and conventions have been used to make information easier to find and understand.

## A. Handbook Symbols

- **References.** The book symbol directs the reader to additional information sources, such as laws, regulations, or instructions. 
- **State Supplements.** State and local laws and the laws of Federally-recognized tribes may affect how Agency requirements are implemented. Topics commonly affected by such laws include the treatment of liens, construction requirements, and environmental policies. The United States symbol denotes subjects for which further instructions may be issued through State Supplements which will be filed in Appendix 7 or for which individual State laws are likely to be particularly relevant. 
- **Civil rights.** The fair housing symbol highlights processing procedures with significant fair housing or civil rights implications. 
- **Deadlines.** Time frames for completing required actions are underlined to make them easier to locate, for example: “within 7 days.” Unless the text specifies business days, all references to days are in terms of calendar days.
- **Documentation.** The notepad symbol highlights key activities or information that must be carefully documented. 

## B. Citations and Text Boxes

- **Regulatory citations.** The regulation for the direct single family housing program is provided in 7 CFR Part 3550. The text of that regulation is provided in Appendix 1. To help readers locate the regulatory authority for procedures described here, references to this regulation appear in italicized brackets, for example: [*7 CFR 3550.55*]. Other regulations or RD instructions are simply referenced.
- **Form references.** Agency forms and Agency guide, form, and system letters are shown in *italics*. All forms referenced in this handbook can be found in Appendix 2 and all letters can be found in Appendix 3.
- **Helpful hints.** Helpful hints, cautions or important facts are included in boxes throughout the text and shown with the string around the finger symbol. 

**Examples and exhibits.** Text boxes labeled as examples or exhibits provide a specific illustration of a concept described in the text or provide additional detailed information. Exhibits are numbered in sequence, using the chapter number; for example, Exhibit 3-1 is the first exhibit in Chapter 3. Examples are used when the text box is inserted adjacent to the relevant text and is not referenced. Exhibits are used when the text refers to the text box.

### C. Attachments and Appendices

- **Glossary and acronyms lists.** Key words and terms are defined in the glossary. A list of acronyms is also provided at the end of the handbook. The glossary and acronyms list can be found at the end of the handbook text.
- **Attachments.** Attachments at the end of each chapter contain technical information that is specific to the topics covered in the chapter. Attachments are referenced in sequence, using the chapter number and a letter, for example, Attachment 4-A is the first attachment in Chapter 4.
- **Appendices.** Appendices at the end of the handbook include forms and other reference materials that relate to multiple chapters.

### D. Terminology

Because terminology may vary from State to State and change over time, this handbook uses certain standard terminology to provide consistency.

- **Agency.** The term “Agency” is used throughout this handbook to refer to the organizational unit within the United States Department of Agriculture (USDA) that is responsible for administration of the direct single family housing program.
- **Field Office.** Because the number of offices and the nature of the work conducted in each office may vary from State to State, the term “Field Office” is used throughout this handbook to refer to the office that is originating the loan.
- **Loan Originator and Loan Approval Official.** “Loan Originator” refers to a person who is working directly with an applicant and conducting the basic underwriting analysis. “Loan Approval Official” is used whenever someone other than the Loan Originator must approve an action. Unless otherwise specified, each State Director may determine which actions may be approved at the Field Office and which must be approved at the State Office.

- **Field Staff and Approval Official.** These terms refer to a person who is completing tasks for purposes other than originating a loan and is located in the field.
- **CSC or Servicer.** These terms are used to refer to individuals in the Centralized Servicing Center.
- **Applicant.** The term “applicant” refers to one or more individuals who have applied for Agency assistance.
- **Borrower.** The term “borrower” refers to one or more individuals who are receiving Agency assistance.

## SECTION 2: OVERVIEW OF THE DIRECT SINGLE FAMILY HOUSING PROGRAM

### 1.3 GOALS OF THE DIRECT SINGLE FAMILY HOUSING PROGRAM

The purpose of the direct single family housing program is to provide low- and very low-income people the opportunity to own adequate, modest, decent, safe, and sanitary homes in rural areas. In providing this service, the Agency strives to meet several goals.

- **Customer service.** The Agency is committed to providing customer-friendly, streamlined service.
- **Partnerships.** Working with partners, such as private lenders, nonprofit organizations, and State and local agencies, can enhance the Agency's ability to serve more borrowers.
- **Effective use of resources.** As a publicly-funded program, the direct single family housing program must use tax dollars efficiently. The Agency aims to minimize administrative costs, underwrite loans responsibly, and leverage funding with private sources of credit to the extent possible.

### 1.4 SECTION 502 -- AN OVERVIEW

#### A. Program Loans

The Section 502 direct loan program is intended to provide very low- and low-income people with the opportunity to acquire, build, rehabilitate, improve or relocate dwellings in rural areas. The standard term for a Section 502 loan is 33 years. However, loans may be made for a shorter term, and in certain cases for 38 years. Each loan is made at a note rate established by the Agency under § 501 of the Housing Act of 1949, as amended, and outlined in RD Instruction 440.1. Payment subsidies are available to some borrowers to reduce monthly loan payments. In summary, to be eligible for a Section 502 loan, applicants must:



- Have an adjusted income that is at or below the applicable low-income limit at loan approval, (except for assumed loans or loans to purchase Real Estate Owned (REO) property).

- Have an adjusted income that is at or below the applicable moderate-income limit for assumed loans or loans to purchase an REO property.
- Be unable to obtain sufficient credit from another source;
- Agree to personally occupy the dwelling;
- Meet citizenship or eligible noncitizen requirements;
- Have the legal capacity to incur a loan obligation and not be suspended or debarred from participation in Federal programs; and
- Demonstrate both the willingness and ability to repay the loan.

Detailed procedures for processing Section 502 loans are provided in Chapter 2 through Chapter 11.

### **B. Nonprogram Loans**

The Agency may provide credit on nonprogram terms to expedite the assumption of an existing program loan or purchase of an REO property by a borrower who is not eligible for the Section 502 program. Nonprogram loans are originated only when it is in the best interest of the Government. Nonprogram loans are discussed in detail in Chapter 11.

## **1.5 SECTION 504 -- AN OVERVIEW**

The Section 504 direct loan and grant program is intended to provide funds to homeowners who cannot obtain other credit to repair or rehabilitate their properties. To be eligible, the applicant must have adjusted income that is at or below the applicable very low-income limit and meet other eligibility requirements similar to those for Section 502 loans. The Section 504 program offers grants to correct health and safety hazards for homeowners 62 years of age and older who cannot obtain a loan for this purpose. Detailed guidance on originating Section 504 loans and grants is provided in Chapter 12.

### **A. Section 504 Grants**

Grant funds may be used only to make repairs and improvements that will remove identified health and safety hazards or to repair or remodel dwellings to make them accessible and useable for household members with disabilities. Grants are available only to eligible applicants who are 62 years of age or older. Recipients may receive multiple grants, up to a lifetime maximum of \$7,500.

**B. Section 504 Loans**

Loan funds may be used to make general repairs and improvements to properties, and to remove health and safety hazards. Applicants may obtain multiple Section 504 loans, but the sum of the outstanding balance on all Section 504 loans can not exceed \$20,000. The loans have a maximum term of 20 years and an interest rate of 1 percent.

**1.6 LOAN SERVICING**

Once loans are closed and the final disbursement has been made, they are serviced by CSC, located in St. Louis, Missouri. CSC handles payments from the borrower, maintains escrow accounts for taxes and insurance, and provides counseling to past-due borrowers. When necessary, CSC initiates action to liquidate borrower accounts. Borrowers who are unable to repay their loans may be eligible for a variety of special servicing actions such as delinquency workout agreements and payment moratoriums. Field Offices will be asked to assist with servicing actions when a local presence is needed. Likely Field Office servicing functions are described in Chapter 13.

**1.7 SECTION 306C WATER AND WASTE DISPOSAL (WWD) GRANTS TO INDIVIDUALS**

Applicants may also be eligible to receive a Section 306C WWD grant if the applicant is a resident of a colonia located in a rural area and meets the other program requirements. The objective of this program is to facilitate the use of community and/or waste disposal systems. Appendix 8 provides information on the Section 306C WWD program.

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## SECTION 3: GENERAL PROGRAM REQUIREMENTS

### 1.8 CIVIL RIGHTS [7 CFR 3550.3]

The Agency will administer its programs fairly and in accordance with both the letter and the spirit of all equal opportunity and fair housing legislation and applicable Executive Orders. The civil rights compliance requirements for the Agency are contained in RD Instruction 1901-E. Exhibit 1-1 lists the applicable Federal laws and executive orders and highlights key aspects of these requirements.



#### Exhibit 1-1

#### Major Civil Rights Laws Affecting the Direct Single Family Loan Program

- **Equal Credit Opportunity Act (ECOA).** Prohibits discrimination in the extension of credit on the basis of race, color, religion, national origin, sex, marital status, age, income from public assistance and exercise of rights under the Consumer Protection Act.
- **Title VI of the Civil Rights Act of 1964.** Prohibits discrimination in a Federally-assisted program on the basis of race, color, and national origin.
- **Title VIII of the Civil Rights Act of 1968** (also known as the Fair Housing Act of 1988, as amended). Prohibits discrimination in the sale, rental or financing of housing on the basis of race, color, religion, sex, national origin, familial status, or disability.
- **Section 504 of the Rehabilitation Act of 1973.** Prohibits discrimination in a Federally-conducted program on the basis of disability.
- **Age Discrimination Act of 1975.** Prohibits discrimination in a Federally-assisted program on the basis of age.
- **Executive Order 11063 as Amended by 12259.** Prohibits discrimination in housing or residential property financing to any Federal-assisted activity against individuals on the basis of race, color, religion, sex, or national origin.
- **Executive Order 11246.** Nondiscrimination in employment by construction contractors (and subcontractors) receiving Federally-assisted construction contracts in excess of \$10,000. It provides for equal employment opportunity without regard to race, color, religion, sex, and national origin.


## A. Nondiscrimination

The various civil rights laws prohibit the denial of loans, grants, services, and benefits provided under the Section 502 and 504 programs to any person based upon race, color, national origin, sex, religion, marital status, familial status, age, physical or mental disability, source of income, or because the applicant has, in good faith, exercised any right under the Consumer Credit Protection Act (15 U.S.C. 1601). Discrimination in employment practices also is prohibited.



Effective management and consistent procedures are good business practices that help ensure that all applicants are treated fairly. Poor program implementation, whether or not discrimination is intended, has possible civil rights consequences.

In the loan origination process, attention to consistent procedures is especially important in several key areas, which are listed below.

**Key Civil Rights Issues  
for Loan Origination**

- Access
- Consistency and fairness of treatment
- Disparate impacts -- intended or unintended
- Record keeping

- **Outreach.** Information about the availability of the program and how to apply must be broadly disseminated and the extent of the information, assistance, and courtesy extended to those who make inquiries must be consistent.
- **Application-taking procedures.** Application-taking procedures must be fair and accessible to all potential applicants.
- **Determining eligibility.** Loan Originators must use equal rigor for all applicants when verifying income, conducting credit checks, and allowing applicants to clarify information.
- **Making exceptions.** Standards for offering exceptions must be applied consistently.
- **Loan terms and subsidies.** Opportunities for subsidies and favorable loan terms must be made available consistently.
- **Hearings and appeals.** Avenues for remedies when problems arise must be accessible to all applicants.

## **B. Reasonable Accommodations for Persons with Disabilities**

The Agency must make reasonable accommodations to permit persons with disabilities to apply for and benefit from Agency programs. Reasonable accommodations may include providing facilities that are physically accessible so that all people can come to Agency offices, and effective communication and outreach tools so that all applicants can get good program information (for example, a Telecommunications Device for the Deaf (TDD)).

### **1.9 REVIEW AND APPEALS [7 CFR 3550.4]**

Decisions that are not made in favor of a program participant (applicant or borrower) are known as adverse decisions. Adverse decisions must be based upon regulations which are published in the Code of Federal Regulations (CFR). For the direct SFH programs, any adverse decisions must be based upon 7 CFR Part 3550 (Appendix 1) and not the administrative guidance contained in this Handbook. Adverse decisions include: (1) administrative actions taken by Agency officials; and (2) the Agency's failure to take required actions within time frames specified in statutes or regulations, or within a reasonable time if no deadline is specified. Appendix 4 contains 7 CFR Part 11, which is the regulation of the National Appeals Division (NAD) and provides procedures that both Agency officials and program participants must follow when an appeal is made. If a Field Office is taking an adverse action on a case that is also under the jurisdiction of CSC the Field Office should first consult with CSC. *Handbook Letter 15(3550), Standardized Adverse Decision Letter*, will be used for all adverse decisions unless another format is prescribed in this Handbook. Exhibit 1-2 provides a sample of an adverse decision letter.



## **A. Informing Program Participants of Their Rights**

Whenever an Agency official makes a decision that will adversely affect a program participant, the official must inform the participant in writing that an informal review with the person who made the decision may be requested. If the decision is appealable, the participant will also be informed of their rights to seek mediation or Alternative Dispute Resolution (ADR) and to request a hearing with NAD. Attachment 1-B is used for this purpose. If the decision cannot be appealed, the participant will be informed of their rights to have NAD review the accuracy of the Agency's finding that the decision cannot be appealed. Mediation or ADR rights are not provided on decisions which cannot be appealed. Attachment 1-C is used for this purpose.

**Exhibit 1-2**

**Sample Adverse Decision Letter**

Mr. and Mrs. John Doe  
1 Main Street  
Anytown, Anywhere 01234

Re:      Application for \$84,000 Direct  
            Single Family Housing Loan

Dear Mr. & Mrs. Doe,

Thank you for the opportunity to consider your request for Rural Development assistance. In reviewing your request, we considered all information submitted to the Agency and the regulations that govern the assistance for which you applied. After careful review, we regret to inform you that we were unable to take favorable action on your request. The specific reasons for our decision are as follows:

1.        Your income exceeds the maximum income to qualify for our direct single family housing program. 7 CFR 3550.53(a) requires that an applicant's income must not exceed the applicable low-income limit for the area. In Any County, the maximum income limit is \$29,500. Based upon verification of the income sources listed on your application, your income was calculated at \$32,250. Unfortunately, this income exceeds the applicable limits. At the time of your loan interview, Mr. Doe indicated that he worked substantial overtime last year, and did not anticipate overtime income for this year. According to a verification of employment, overtime income has recently been earned this year, and your employer anticipates that you will earn at least the same amount of overtime this year as you have earned in the past. Overtime income must be considered if it is reasonable to anticipate it will continue. We reverified with your employer that, because of recent workforce changes, overtime will continue this year in an amount at least equal to last year. This was further confirmed by copies of paystubs which you recently submitted to this office for review.
2.        Your credit history was not acceptable. 7 CFR 3550.53(h) requires that an applicant must have an acceptable credit history to obtain program assistance. The regulation provides, in part, that a delinquency on any debt owed to the Federal Government is an indicator of unacceptable credit. Your credit report reflected that you are in default on your student loan which is guaranteed by the Federal Government.

Your credit report was obtained from the ABC Credit Report Company, 100 Main Street, Anytown, Anywhere 01234, telephone 1-800-123-4567. You may obtain a free copy of your credit report from ABC Credit Report Company, and may dispute the accuracy or completeness of the report directly with ABC Credit Report Company. Please note that the decision to deny your request for assistance was made by this Agency and not ABC Credit Report Company.

If you believe our decision is incorrect, or the facts used in this case are in error, you may pursue your rights to challenge our decision. Please see the attached for your rights.

Sincerely,

## Paragraph 1.9 Reviews and Appeals [7 CFR 3550.4]

Letters notifying participants of adverse decisions must contain the required information regarding an informal meeting, mediation or ADR, rights to NAD, and civil rights. Attachment 1-A includes only the specific civil rights language that must be contained in any adverse decision letter. Attachment 1-B through 1-I contain, as necessary, the civil rights language and include information on requesting an informal review, mediation or ADR, and rights to NAD. The attachments are all titled to assist Field Staff in selecting the correct Attachment for the decision being made. The Attachments do not need to be used when an RD Form, Handbook Letter, or other document already includes the appropriate participant rights.

**B. Adverse Decisions That Cannot Be Appealed**

Certain decisions made by the Agency cannot be appealed. In these cases, the participant is still provided the opportunity for an informal review; however, appeal rights to NAD and mediation or ADR are not offered. The participant will be informed through the use of Attachment 1-C that they may request an informal review and write to NAD for a review of the accuracy of the Agency's determination that the case cannot be appealed. Decisions that cannot be appealed include:

- Decisions made by parties outside the Agency, even when these decisions are used as a basis for Agency decisions (such as when an applicant disagrees with a private lender's decision not to provide credit for a leveraged loan);
- Interest rates set by the Agency's procedures, unless the participant alleges that an incorrect interest rate was applied;
- An official's refusal to request an administrative waiver under the provisions of Paragraph 1.12 of this Handbook, or a waiver authorized by any applicable regulation;
- Denials of credit due to lack of funds;
- Denials of Section 504 grants to applicants under the age of 62; and
- Rural area designations.

When one or more of the reasons for an adverse decision are reasons that cannot be appealed, the adverse decision cannot be appealed. In these cases, the letter containing the adverse decision will include only the items which cannot be appealed as the reason why the decision cannot be appealed. If other reasons also exist for the adverse decision, they will be listed separately in the decision letter as other reasons the assistance could not be granted.

**Exhibit 1-3****Example - Adverse Decision Which Cannot be Appealed**

Mary Smith, age 40, applies for a \$7,500 Section 504 grant to build a new home. Her income is in the low-income category and she has \$60,000 in cash towards the construction cost of \$65,000. In this case, the reason for denying the Section 504 grant would be Ms. Smith's age. This would be clearly stated in the letter as the reason for rejection and the reason the decision cannot be appealed. The letter would also include language in a separate paragraph that even if Ms. Smith were over 62, Section 504 funds are not available to persons in the low-income category and cannot be used for the construction of a house. The letter would also include Attachment 1-C providing the opportunity for Ms. Smith to request an informal review with the Agency and an NAD review of the accuracy of the Agency's decision that the case cannot be appealed.

**C. Informal Review**

Participants who want to request an informal review with the person who made the decision must do so within 15 days of the date of the Agency's letter notifying the participant of the adverse decision. The participant must make a request for an informal review in writing, and the request will be retained in the participant's case file. The informal review can be conducted by telephone or through a face-to-face meeting, at the discretion of the Agency. The informal review can also be conducted by a representative of the person who made the decision. The purpose of the informal review is to further explain the Agency's reasons for the adverse decision, listen to why the participant feels the decision may be incorrect, and obtain any further information from the participant to support their request. The review must be completed within 45 days of the request and the participant is notified in writing of the results. The State Director may require that the decision be reviewed by the next-level supervisor or other designated Rural Development staff before the participant is notified of the decision. Attachment 1-D will be used if the adverse decision is not reversed as a result of the informal review. If the decision is reversed, a letter will be sent to the participant notifying them of the decision and next steps.



The participant may skip an informal review and, if applicable, request mediation or ADR or an appeal. In doing so, the participant automatically waives their rights to an informal review.

**D. Mediation or Alternative Dispute Resolution (ADR)**

Adverse decisions which are appealable to NAD also require that the participant be given the opportunity to seek mediation or ADR prior to having a hearing with NAD. The purpose of mediation or ADR is to resolve disputes through the use of a neutral mediator. State Directors may wish to consider issuing a State Supplement, to be included in Appendix 7, outlining the coordination required between the Field Office and State Office on handling mediation and ADR requests.

A participant may skip mediation or ADR and request an appeal to NAD. In doing so, they automatically waive their rights to mediation or ADR.

***1. Requests for Mediation or ADR***

After receiving Attachment 1-B or 1-D, a program participant may request mediation or ADR services. Upon receipt of the program participant's request for mediation or ADR, Attachment 1-E, 1-G, or 1-H is sent to the participant to start the process. Which Attachment to use depends upon whether the State in which the action applies is covered by a USDA-sponsored mediation program. These Attachments are generally sent by the State Director since costs are involved; however, they can be sent directly by the Field Office at the discretion of the State Director.

***2. Cost of Mediation or ADR***

There is generally a cost associated with participation in mediation or ADR. When there are costs, they will be shared equally between the Agency and the program participant, if Agency funds are available. Where Agency program funds are not available, the Agency will participate in mediation or ADR if requested by the program participant; however, the program participant will be notified in advance of the portion of the cost the Agency will pay (if any) and their estimated cost for this service. The State Director will ensure that all participants requesting mediation or ADR in their State are treated consistently and pay the same percentage of the cost toward this service. The State Director may also consent to pay a larger percentage (up to 100 percent) of the cost of mediation or ADR for participants with incomes below the poverty level. The Agency will notify the mediation or ADR sources of how the cost of such service will be paid. Attachment 1-E, 1-F, 1-G, and 1-H include language to meet this requirement.

### ***3. Mediation in States with a USDA-sponsored mediation program***

Many States have a USDA-sponsored mediation program. These programs are funded, in part, by USDA, and were established primarily to mediate cases originating from the Farm Service Agency (FSA). If you are unsure if a USDA mediation program exists in your State, you should contact your State Director. In States with a USDA-sponsored mediation program, program participants who are provided appeal rights will be generally referred to the USDA-sponsored mediation program. ADR is not applicable in these States. Attachment 1-E may be sent to the program participant to acknowledge their request, and Attachment 1-F may be used to refer the case to the USDA-sponsored mediation program. In States where alternative mediation sources are readily available at a lower cost than the USDA-sponsored mediation program, the State will follow the guidance for States without a USDA-sponsored mediation program, and include the USDA mediation program on the list of acceptable providers.

### ***4. Mediation or ADR in States without a USDA-sponsored mediation program***

In States without a USDA-sponsored mediation program, Agency officials are responsible for maintaining a list of mediators or alternative dispute resolution providers. The State Office will generally maintain this list as program participants are referred to the State Director to initiate mediation or ADR. FSA can generally provide a list of acceptable mediation or ADR sources in a State. Other contacts include the American Association of Arbitrators (AAA) or State bar association. When making contacts with these sources, make sure the Agency requests the services of a mediator and not an arbitrator. A mediator resolves disputes by negotiating a resolution through mutual agreement. An arbitrator resolves disputes through hearing both parties and then rendering a binding decision and should not be used. The list will contain the approximate cost of each service provider, if known. States may handle the list of mediation and ADR sources as follows:

- The State may select a mediator or alternative dispute resolution provider from the list, provided there is not a significant variation in the cost of service providers. The list will be maintained alphabetically and sources selected in sequential order. Attachment 1-G may be sent to the program participant to acknowledge their request for mediation or ADR, and Attachment 1-F may be used to refer the case to the provider. States will need to maintain documentation to ensure that mediators and ADR providers receive an equal number of referrals. If there is a significant variation in cost between service providers, this option will not be used.



## Paragraph 1.9 Reviews and Appeals [7 CFR 3550.4]

- The State may provide the list of mediators or alternative dispute resolution providers to the participant and request the participant to select the source or provide the name of another acceptable source of mediation or ADR services. The list will contain the approximate cost of each service provider, if known. Attachment 1-H is used for this purpose and provides the participant with 10 days to select a service provider. After selection, Attachment 1-F will be used to refer the case to the mediator or ADR provider. If the program participant does not provide the name of a mediation or ADR provider within 10 days, their request for mediation or ADR will be considered withdrawn. Withdrawal or cancellation of a mediation or ADR does not extinguish the participant's right to an appeal with NAD.

**5. *Timing of mediation or ADR***

Mediation or ADR must be completed within 45 days after the case is referred to the mediation or ADR source, unless the complexity of the case warrants a longer time frame and all parties agree to a specific time frame. A mediator or ADR provider will generally conduct a teleconference between the parties prior to accepting a case to determine if the case can be mediated. The Agency encourages the use of such pre-mediation conference since many adverse decisions in the SFH program may not lend themselves to mediation. Regardless, the Agency will not refuse to participate in mediation or ADR if requested to do so by the program participant.

Mediation or ADR occurs prior to having a hearing with NAD. Requests for mediation or ADR made prior to filing an appeal with NAD stop the clock on the 30-day period during which a participant may appeal to NAD. After mediation or ADR has concluded, any days that remain from the 30-day period are available to the participant to request an appeal to NAD. Attachment 1-I is used for this purpose. The person completing Attachment 1-I will need to determine the number of days the participant took to request mediation or ADR. Hearing dates for participants who request mediation or ADR after filing an appeal must be selected with 45 days of the conclusion of mediation or ADR. Participants may also request mediation or ADR after filing an appeal with NAD but prior to the hearing.

**6. *Mediation or ADR on cases involving CSC***

Mediation or ADR is handled through local sources, and the Agency may contribute to the cost of the service. As such, mediation or ADR requests from program participants who receive adverse decisions from CSC must be coordinated through the State Office.

When a program participant receives Attachment 1-B or 1-D as a result of an adverse decision made by CSC, the participant is referred to the State Director to initiate mediation or ADR. Upon receipt of a program participant's request, the State Office will send Attachment 1-E, 1-F, 1-G, or 1-H, as applicable. A copy will be provided to the Appeals Coordinator in CSC. When Attachment 1-F or 1-G is sent to the service provider, the Agency contact will be CSC. While the State Office coordinates this service, CSC is responsible for participating in the actual mediation or ADR.

### **E. Appeal**

Participants who wish to appeal an adverse decision must submit a written request to NAD within 30 days of receiving notice of an adverse decision. The request must be signed by the participant and include: (1) a copy of the adverse decision to be appealed; and (2) a brief statement describing why the participant believes the decision is wrong.

Upon receiving a notice from NAD that an appeal has been filed, the Field Office will promptly provide NAD with a copy of the Agency record, specific references in 7 CFR Part 3550 to support the decision, and any other pertinent information. A copy will also be provided to the program participant.

In accordance with NAD regulations, the program participant has the right to a face-to-face hearing in the participant's State of residence. The program participant also has the right to request that the hearing be handled by teleconference. An adverse decision made by CSC may result in an appeal hearing and require a face-to-face hearing. In these cases, the CSC Appeal Coordinator may request the State Director to provide Field Staff to attend the hearing and represent CSC. The CSC Appeals Coordinator will provide sufficient documentation and phone resources to the person selected by the State Director to adequately represent the Agency in the case.

NAD will notify the participant and the Agency once it has made a final determination. If NAD reverses the Agency's decision, the next loan processing action that would have occurred had no adverse decision been made must be taken within 30 days after the effective date of the notice from NAD; unless the Agency requests a review of the case by the Director of NAD. See 7 CFR Part 11 (Appendix 4) for more guidance on Director Reviews and other information regarding appeals.

## 1.10 CONFLICT OF INTEREST [7 CFR 3550.9]

All employees must strive to maintain the highest levels of honesty, integrity, and impartiality in conducting their activities on behalf of the Agency. The Agency's conflict of interest requirements are described in RD Instruction 1900-D. To reduce the potential for conflicts of interest, all processing, approval, servicing, or review activity must be conducted by Agency employees who:



- Are not the recipient (applicant or borrower), a recipient's family member, or a close known relative of the recipient;
- Do not have an immediate working relationship with the recipient, the Agency employee related to the recipient, or the Agency employee who would normally conduct the activity; and
- Do not have a business or close personal association with the recipient.

### A. Applicant Disclosure

Applicants must disclose any known relationship or association with Agency employees when they apply.

### B. Agency Employee Disclosure

Agency employees must disclose any known relationship or association with a recipient, regardless of whether the relationship is known to others. Loan Originators should notify a supervisor after the application is accepted but before any eligibility determination is made.

### C. Disposition of REO Properties

Agency employees and members of their families are precluded from purchasing REO property, assumptions from Agency borrowers, or security property sold at a foreclosure sale. Closing agents and members of their families are precluded from purchasing properties in which they have been professionally involved.

## **1.11 OTHER FEDERAL REQUIREMENTS**

### **A. Environmental Requirements [7 CFR 3550.5]**

The Agency considers environmental quality equally with economic, social and other factors in its program development and decision-making processes. Both the Loan Originator and the Loan Approval Official are responsible for effectively integrating Agency environmental policies and procedures with loan and grant origination and servicing activities. Agency environmental policies and procedures and historic preservation requirements can be found in RD Instruction 1940-G. Agency-assisted properties also must meet the lead-based paint requirements contained in Exhibit H of RD Instruction 1924-A. Resolution of conflicts or significant differences between Agency environmental regulations and State or local environmental laws requires prior consultation with the appropriate State Environmental Coordinator and, if necessary, National Office environmental staff.



### **B. Construction Standards**

Sites and dwellings developed or rehabilitated with Section 502 funds must meet the construction standards outlined in RD Instructions 1924-A and 1924-C. Existing dwellings must be decent, safe and sanitary and meet all applicable State and local codes.

### **C. Administrative Requirements**

Agency employees must comply with Agency and Departmental administrative requirements.

#### ***1. Procurement***

Goods and services procured to support Agency activities such as appraisals, inspections, broker services, and property management services must conform with the policies and procedures of RD Instruction 2024-A.

#### ***2. File Management***

Files and other Agency records must be maintained in accordance with RD Instruction 2033-A.

### 3. *Handling Funds*

Funds received in the Field Office that are not part of a borrower's regular installment, for example, credit report fees or appraisal fees are forwarded to CSC using *Form RD 3550-17, Fund Transmittal Report*. If a borrower did not receive a billing statement, Field Staff can submit the payment using *Form RD 3550-26, Substitute Payment Coupon*.

#### 1.12 EXCEPTION AUTHORITY [7 CFR 3550.8]

Exceptions to any requirement of this handbook or 7 CFR Part 3550 can be approved in individual cases by the Administrator if application of the requirement or failure to take action would adversely affect the Government's interest. Any exception must be consistent with the authorizing statute and other applicable laws.



Requests for exceptions are submitted to the Administrator, through the Deputy Administrator, Single Family Housing and may be initiated by the State Director; the Deputy Administrator, Single Family Housing; the CSC Director; the Director, Single Family Housing Processing Division; or the Director, Single Family Housing Servicing and Property Management Division.

The exception request must provide clear and convincing evidence of the need for the exception. At a minimum the request must include:

- A full explanation of the circumstances, including an explanation of the adverse effect on the Government's interest;
- A discussion of proposed alternatives considered; and
- A discussion of how the adverse effect will be eliminated or minimized if the exception is granted.

Requests for exceptions regarding architectural and engineering, environmental, or civil rights issues must also include the review and comments of the applicable State Office Technical Staff. The Deputy Administrator, Single Family Housing will coordinate these exception requests with the applicable National Office technical staff prior to submission to the Administrator.

## **ATTACHMENT 1-A**

### **EQUAL CREDIT OPPORTUNITY ACT**

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The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants based on race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract), or because all or part of the applicant's income derives from any public assistance program. Department of Agriculture regulations provide that no agency, officer, or employee of the United States Department of Agriculture shall exclude from participation in, deny the benefits of, or subject to discrimination any person based on race, color, religion, sex, age, disability, or national origin under any program or activity administered by such agency, officer, or employee. The Fair Housing Act prohibits discrimination in real estate-related transactions, or in the terms and conditions of such a transaction, because of race, color, religion, sex, disability, familial status, or national origin. If an applicant or borrower believes he or she has been discriminated against for any of these reasons, that person can write the Secretary of Agriculture, Washington, D.C. 20250. Applicants also cannot be denied a loan because the applicant has in good faith exercised his or her rights under the Consumer Credit Protection Act. If an applicant believes he or she was denied a loan for this reason, the applicant should contact the Federal Trade Commission, Washington, D.C. 20580.

**ATTACHMENT 1-B**

**ATTACHMENT TO LETTER NOTIFYING CUSTOMERS OF  
AN ADVERSE DECISION THAT IS APPEALABLE**

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The decision described in the attached letter did not grant you the assistance you requested or will terminate or reduce the assistance you are currently receiving. If you believe this decision or the facts used in this case are in error, you may pursue any or all of the following three options.

**Option 1 - Informal Review**

If you have questions concerning this decision or the facts used making it and desire further explanation, you may write this office to request an informal review. ***There is no cost for an informal review.*** This written request must be received no later than 15 calendar days from the date of the attached letter. You must present any new information, evidence, and possible alternatives along with your request. You may also have a representative or legal counsel participate in the process, at your cost. The informal review may be conducted by telephone or in person, at the discretion of the Agency. Please include a daytime phone number in your request to arrange for the review. You may skip this step in the informal process and select one of the following two options. If you do, you will automatically waive your right to an informal review.

**Option 2 - Mediation or Alternative Dispute Resolution (ADR)**

You have the right to request mediation or other forms of alternative dispute resolution (ADR) for the issues that are available for mediation. ***You will have to pay for at least 50 percent of the cost of mediation or ADR.*** Rural Development will pay for the other 50 percent of the cost, provided the Agency has sufficient resources from its appropriated funds. If the Agency does not have sufficient resources, you will be advised how much, if any, the Agency can contribute to the cost of mediation or ADR. If you need the information to assist you in deciding whether to seek mediation or ADR, you may contact the Rural Development State Director listed below.

If you elect to seek mediation or ADR, your written request for this service must be sent to the Rural Development State Director listed below and must be postmarked no later than 30 days from the date of the attached letter. The Rural Development State Director will advise you of the estimated cost of mediation or ADR, the extent to which the Agency can contribute to the cost, and the process and procedures for this service. In States with a USDA-sponsored mediation program, you will generally be referred to such service. In States without a USDA-sponsored

mediation program, you will be provided with the name or names of mediators. You will be advised directly by the mediation or ADR source if they can mediate your case. Once you request mediation or ADR, it stops the running of the 30-day period in which you may request an appeal (described in Option 3). If mediation or ADR does not result in resolution of these issues, you have the right to continue with a request for an appeal hearing as set forth in Option 3.

When mediation or ADR is concluded, you will be notified of the result and the number of days remaining to request an appeal, if applicable. If you request mediation or ADR prior to filing for an appeal, the number of days you will have to request an appeal will be 30 days from the adverse decision minus the number of days you took to request mediation. Mediation or ADR does not take the place of, or limit your rights to, an appeal to the National Appeals Division (NAD); however, an NAD appeal hearing would take place after mediation or ADR. You may skip mediation or ADR and request an appeal hearing. However, in doing so, you will automatically waive your rights to an informal meeting, mediation, or ADR.

Rural Development State Director address:

### **Option 3 - Request an Appeal**

You may request an appeal hearing by the National Appeals Division (NAD) rather than an informal review, mediation, or ADR. ***There is no cost for an appeal.*** Your request for an appeal must be made no later than 30 days from the date you receive the attached letter. You must write the Assistant Director, NAD, for your region at the following address:

NAD Assistant Director address:

Your request for an NAD hearing must state the reasons why you believe the decision is wrong, be personally signed by you, and must include a copy of the attached letter. A copy of your request must also be sent to the Rural Development State Director at:

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Rural Development State Director address:

You have the right to an appeal hearing within 45 days of the receipt of your request. You or your representative or counsel may contact this office anytime during regular office hours in the 10 days following the receipt of your request for a hearing to examine or copy relevant non-confidential material in your file. Photocopies will be provided to you. Your representative or counsel should have your written authorization to represent you and review your file.

The NAD Hearing Officer will contact you regarding a time and place for the hearing. You may also request a teleconference hearing in lieu of the face-to-face hearing. At any time before the scheduled hearing you may also request that the Hearing Officer make a decision without a hearing. If you do, the Hearing Officer's decision will be based on the Rural Development file, any written statements or evidence you may provide and any additional information the Hearing Officer thinks necessary.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants based on race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract), or because all or part of the applicant's income derives from any public assistance program. Department of Agriculture regulations provide that no agency, officer, or employee of the United State Department of Agriculture shall exclude from participation in, deny the benefits of, or subject to discrimination any person based on race, color, religion, sex, age, disability, or national origin under any program or activity administered by such agency, officer, or employee. The Fair Housing Act prohibits discrimination in real estate-related transactions, or in the terms and conditions of such a transaction, because of race, color, religion, sex, disability, familial status, or national origin. If an applicant or borrower believes he or she has been discriminated against for any other reasons, that person can write the Secretary of Agriculture, Washington, D.C. 20250. Applicants also cannot be denied a loan because the applicant has in good faith exercised his or her right under the Consumer Credit Protection Act. If an applicant believes he or she was denied a loan for this reason, the applicant should contact the Federal Trade Commission, Washington, D.C. 20580.

**ATTACHMENT 1-C**

**ATTACHMENT TO LETTER NOTIFYING CUSTOMERS OF  
AN ADVERSE DECISION THAT CANNOT BE APPEALED**

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The decision described in the attached letter did not grant you the assistance you requested or will terminate or reduce the assistance you are currently receiving.

If you have questions concerning this decision or the facts used in making it and desire further explanation, you may write this office to request an informal review. This written request must be received no later than 15 calendar days from the date of the attached letter. You must present any new information, evidence, and possible alternatives along with your request. You may also have a representative or legal counsel participate in the process, at your cost. The informal review may be conducted by telephone or in person, at the discretion of the Agency. Please include a daytime phone number in your request to arrange for the review.

Applicants and borrowers generally have a right to appeal adverse decisions, but decisions based on certain reasons cannot be appealed. We have determined that reasons for the decision cannot be appealed under our regulations. You may, however, write the Assistant Director, National Appeals Division (NAD) for a review of the accuracy of our finding that the decision cannot be appealed. Your request must be made no later than 30 days from the date you receive the attached letter.

NAD Assistant Director address:

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants based on race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract), or because all or part of the applicant's income derives from any public assistance program. Department of Agriculture regulations provide that no agency, officer, or employee of the United State Department of Agriculture shall exclude from participation in, deny the benefits of, or subject to discrimination

any person based on race, color, religion, sex, age, disability, or national origin under any program or activity administered by such agency, officer, or employee. The Fair Housing Act prohibits discrimination in real estate-related transactions, or in the terms and conditions of such a transaction, because of race, color, religion, sex, disability, familial status, or national origin. If an applicant or borrower believes he or she has been discriminated against for any other reasons, that person can write the Secretary of Agriculture, Washington, D.C. 20250. Applicants also cannot be denied a loan because the applicant has in good faith exercised his or her right under the Consumer Credit Protection Act. If an applicant believes he or she was denied a loan for this reason, the applicant should contact the Federal Trade Commission, Washington, D.C. 20580.

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**ATTACHMENT 1 - D**

**ATTACHMENT TO LETTER NOTIFYING CUSTOMERS  
OF UNFAVORABLE DECISION REACHED AS A RESULT  
OF AN INFORMAL REVIEW**

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We appreciated the opportunity to review the facts relative to your request for assistance. We regret that the decision in the attached letter did not grant the assistance you requested or will terminate or reduce the assistance you are currently receiving. If you believe that facts used in this case are in error, you may pursue any or all of the following two options.

**Option 1 - Mediation or Alternative Dispute Resolution (ADR)**

You have the right to request mediation or other forms of alternative dispute resolution (ADR) for the issues that are available for mediation. ***You will have to pay for at least 50 percent of the cost of mediation or ADR.*** Rural Development will pay for the other 50 percent of the cost, provided the Agency has sufficient resources from its appropriated funds. If the Agency does not have sufficient resources, you will be advised how much, if any, the Agency can contribute to the cost of mediation or ADR. If you need information to assist you in deciding whether to seek mediation or ADR, you may contact the Rural Development State Director listed below.

If you elect to seek mediation or ADR, your written request for this service must be sent to the Rural Development State Director listed below and must be postmarked no later than 30 days from the date of the attached letter. The Rural Development State Director will advise you of the estimated cost of mediation or ADR, the extent to which the Agency can contribute to the cost, and the process and procedures for this service. In States with a USDA-sponsored mediation program, you will generally be referred to this service. In States without a USDA-sponsored mediation program, you will be provided with the name or names of mediators. You will be advised directly by the mediation or ADR source if they can mediate your case. Once you request mediation or ADR, it stops the running of the 30-day period in which you may request an appeal (described in Option 2). If mediation or ADR does not result in resolution of these issues, you have the right to continue with a request for an appeal hearing as set forth in Option 2.

When mediation or ADR is concluded, you will be notified of the result and the number of days remaining to request an appeal, if applicable. If you request mediation or ADR prior to filing for an appeal, the number of days you will have to request an appeal will be 30 days from the adverse decision minus the number of days you took to request mediation. Mediation or ADR does not take the place of, or limit your rights to, an appeal to the National Appeals Division (NAD); however, an NAD appeal hearing would take place after mediation or ADR. You may skip mediation or ADR and request an appeal hearing. However, in doing so, you will automatically waive your rights to an informal meeting, mediation, or ADR.

Rural Development State Director address:

## **Option 2 - Request an Appeal**

You may request an appeal hearing by the National Appeals Division (NAD) rather than an informal review or mediation. ***There is no cost for an appeal.*** Your request for an appeal must be made no later than 30 days from the date you receive the attached letter. You must write the Assistant Director, NAD, for your region at the following address:

NAD Assistant Director address:

The request for an NAD hearing must state the reasons why you believe the decision is wrong, be personally signed by you, and must include a copy of the attached letter. A copy of your request must also be sent to the Rural Development State Director at the following address:

Rural Development State Director address:

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You have the right to an appeal hearing within 45 days of the receipt of your request. You or your representative or counsel may contact this office anytime during regular office hours in the 10 days following the receipt of your request for a hearing to examine or copy relevant non-confidential material in your file. Photocopies will be provided to you. Your representative or counsel should have your written authorization to represent you and review your file.

The NAD Hearing Officer will contact you regarding a time and place for the hearing. You may also request a teleconference hearing in lieu of the face-to-face hearing. At any time before the scheduled hearing, you may also request that the Hearing Officer make a decision without a hearing. If you do, the Hearing Officer's decision will be based on the Rural Development file, any written statements or evidence you may provide and any additional information the Hearing Officer thinks necessary.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants based on race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract), or because all or part of the applicant's income derives from any public assistance program. Department of Agriculture regulations provide that no agency, officer, or employee of the United State Department of Agriculture shall exclude from participation in, deny the benefits of, or subject to discrimination any person based on race, color, religion, sex, age, disability, or national origin under any program or activity administered by such agency, officer, or employee. The Fair Housing Act prohibits discrimination in real estate-related transactions, or in the terms and conditions of such a transaction, because of race, color, religion, sex, disability, familial status, or national origin. If an applicant or borrower believes he or she has been discriminated against for any other reasons, that person can write the Secretary of Agriculture, Washington, D.C. 20250. Applicants also cannot be denied a loan because the applicant has in good faith exercised his or her right under the Consumer Credit Protection Act. If an applicant believes he or she was denied a loan for this reason, the applicant should contact the Federal Trade Commission, Washington, D.C. 20580.

**ATTACHMENT 1-E**

**ATTACHMENT FOR NOTIFYING CUSTOMERS THAT  
REQUEST MEDIATION IN STATES WITH A USDA-SPONSORED  
MEDIATION PROGRAM**

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This replies to your request for mediation or alternative dispute resolution services. The State in which you requested assistance has an impartial USDA-sponsored mediation program available. Your request for mediation has been sent to:

You will be contacted directly by the USDA-sponsored mediation program to determine if they can mediate the issues in your case.

As indicated in our adverse decision letter, there may be a cost for mediation services. The cost estimated for this service is:

\$ \_\_\_\_\_ You will be advised directly by the USDA-sponsored mediation program of the full cost of mediation. This is only an estimate and may vary depending on the issues and complexity of the case. If you decide not to pursue mediation, you must immediately contact this office and the USDA-sponsored program to cancel your request

Rural Development will:

\_\_\_\_\_ Contribute 50 percent towards the cost. The balance of the cost will have to be paid from your own resources.

\_\_\_\_\_ Cannot contribute towards the cost as the Agency does not have financial resources for these services. You must pay the full cost of mediation from your own personal resources.

\_\_\_\_\_ Contribute \_\_\_\_\_ towards the cost. The balance of the cost will have to be paid from your own personal resources.

When mediation is concluded, you will be notified of the results and the number of days remaining to request an appeal, if applicable. If you request mediation prior to filing for an appeal, the number of days you will have to request an appeal will be 30 days from the adverse decision minus the number of days you took to request mediation. Mediation does not take the place of, or limit your rights to, an appeal to the National Appeals Division (NAD); however, an NAD appeal hearing would take place after mediation.

Remember, if you decide not to pursue mediation, you must immediately contact this office and the USDA-sponsored mediation program to cancel your request. You will be responsible for any costs incurred by the mediation or ADR source up until the time of your cancellation. Canceling your request for mediation does not affect your rights to seek an appeal with the NAD as discussed in our original decision letter.

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**ATTACHMENT 1-F**

**ATTACHMENT FOR REQUESTING MEDIATION OR  
ALTERNATIVE DISPUTE RESOLUTION (ADR) SERVICES**

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TO:

FROM:

SUBJECT: Request for Mediation or Alternative Dispute  
Resolution (ADR) Services

CUSTOMER:

The above-subject Rural Development customer has received an adverse decision from our Agency and has requested mediation or ADR services. Attached is a copy of the adverse decision letter and the customer's request for your service.

***Informal Review:***

\_\_\_ The customer was provided with the opportunity for an informal review with the Agency; however, chose not to exercise this option.

\_\_\_ An informal review was conducted; however, the Agency did not reverse its decision.

\_\_\_ This case is under the jurisdiction of our Centralized Servicing Center.

***Payment for Service:***

\_\_\_ The customer and Agency will split the cost of this service 50/50.

\_\_\_ The customer will pay the full cost of mediation or ADR.

\_\_\_ The Agency will pay \_\_\_\_\_ towards mediation or ADR. The customer will pay the balance.

If the Agency is paying for any portion of the cost of this service, the bill for the Agency's portion should be submitted to this office. The customer is solely responsible for their portion of the cost of this service and should be bill directly.

***Jurisdiction of case:***

\_\_\_ The adverse decision in this case was made by the following office. You should contact this office for further information on the case:

\_\_\_ The adverse decision in this case was made by the Centralized Servicing Center (CSC). You may contact the Appeals Coordinator in CSC for further information on the case and to arrange for mediation or ADR:

USDA, Rural Development  
Centralized Servicing Center  
Appeals Coordinator  
ATTN: FC-243  
1520 Market Street  
St. Louis, Missouri 63103  
(800) 349-5097, extension 2086

Mediation or ADR must be completed within 45 days; unless the complexity of the case requires a longer time frame and all parties agree to a specific time frame. We also request a teleconference prior to your acceptance of this case to determine if the adverse decision lends itself to mediation or ADR.

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**ATTACHMENT 1-G**

**ATTACHMENT FOR NOTIFYING CUSTOMERS THAT  
REQUEST MEDIATION OR ALTERNATIVE DISPUTE  
RESOLUTION (ADR) OF SERVICE PROVIDER**

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This replies to your request for mediation or alternative dispute resolution services. Your request has been sent to:

You will be contacted directly by the above to determine if they can mediate the issues in your case.

As indicated in our adverse decision letter, there may be a cost for these services. The estimated cost for this service is:

\$ \_\_\_\_\_ You will be advised directly by the mediation or ADR source of the full cost of this service. This is only an estimate and may vary depending upon the issues and complexity of the case. If you decide not to pursue mediation or ADR, you must immediately contact this office and the above-mentioned mediation or ADR provider.

Rural Development will:

\_\_\_\_\_ Contribute 50 percent towards the cost. The balance of the cost will have to be paid from your own resources.

\_\_\_\_\_ Cannot contribute towards the cost as the Agency does not have the financial resources. You must pay the full cost from your own personal resources.

\_\_\_\_\_ Contribute \_\_\_\_\_ towards the cost. The balance of the cost will have to be paid from your own personal resources.

When mediation or ADR is concluded, you will be notified of the result and the number of days remaining to request an appeal, if applicable. If you request mediation or ADR prior to filing for an appeal, the number of days you will have to request an appeal will be 30 days from the date you received notice of the adverse decision minus the number of days you took to request mediation. Mediation or ADR does not take the place of, or limit your rights to, an appeal to the National Appeals Division (NAD); however, an NAD appeal hearing would take place after mediation or ADR.

Remember, if you decide not to pursue mediation or ADR, you must immediately contact this office and the mediation or ADR provider to cancel your request. You will be responsible for any costs incurred by the mediation or ADR source up until the time of your cancellation. Canceling your request for mediation does not affect your rights to seek an appeal with the NAD as discussed in our original decision letter.

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**ATTACHMENT 1-H**

**ATTACHMENT FOR NOTIFYING CUSTOMERS THAT  
REQUEST MEDIATION OR ALTERNATIVE DISPUTE  
RESOLUTION (ADR) OF POTENTIAL SERVICE PROVIDERS**

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This replies to your request for mediation or ADR services. Attached you will find a list of mediation and ADR providers. You will need to select one of the sources from the list, or you may provide the name of another independent mediation or ADR source. You must provide this office, in writing, with the name of the provider within 10 days. Rural Development will then contact the source and provide photocopies of the adverse decision letter and any other relevant information. We will also request that the mediation or ADR provider conduct a teleconference between the parties.

If we do not receive your selection of a mediator or ADR provider within 10 days, we will consider such inaction to be your notice to cancel your request for mediation or ADR. You may continue to pursue an appeal to the National Appeals Division (NAD) as outlined in our original adverse decision letter.

As indicated in our original adverse decision letter, there may be a cost for these services. The estimated cost for this service is:

\$ \_\_\_\_\_ You will be advised directly by the mediation or ADR source of the full cost of this service. This is only an estimate and may vary depending upon the issues and complexity of the case. If you decide not to pursue mediation or ADR, you must immediately contact this office and the above-mentioned mediation or ADR provider.

Rural Development will:

\_\_\_\_\_ Contribute 50 percent towards the cost. The balance of the cost will have to be paid from your own resources.

\_\_\_\_\_ Cannot contribute towards the cost as the Agency does not have the financial resources. You must pay the full cost from your own personal resources.

\_\_\_\_\_ Contribute \_\_\_\_\_ towards the cost. The balance of the cost will have to be paid from your own personal resources.

When mediation or ADR is concluded, you will be notified of the result and the number of days remaining to request an appeal, if applicable. If you request mediation or ADR prior to filing for an appeal, the number of days you will have to request an appeal will be 30 days from the date you received notice of the adverse decision minus the number of days you took to request mediation. Mediation or ADR does not take the place of, or limit your rights to, an appeal to NAD; however, an NAD appeal hearing would take place after mediation or ADR.

Remember, if you decide not to pursue mediation or ADR, you must immediately contact this office to cancel your request. Canceling your request for mediation does not affect your rights to seek an appeal with the NAD as discussed in our original decision letter.

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ATTACHMENT 1-I

**ATTACHMENT FOR NOTIFYING CUSTOMERS THAT  
MEDIATION OR ALTERNATIVE DISPUTE RESOLUTION (ADR)  
DID NOT RESULT IN RESOLUTION OF ISSUES**

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We regret that we are unable to grant the assistance you requested or will terminate or reduce the assistance you requested. Mediation or ADR did not result in resolution of the issues.

If you believe the decision or facts used in the case are in error, you may pursue your right to an appeal by the National Appeals Division (NAD). ***There is no cost for an appeal.*** The number of days in which you have to request an appeal depends upon whether you previously requested an appeal to NAD prior to entering into mediation or ADR. ***Please follow the guidance in the paragraph indicated with an "X".***

\_\_\_ You requested an appeal hearing to NAD prior to entering into mediation or ADR. You must write to the Assistant Director of NAD at the following address to schedule the appeal hearing:

NAD Assistant Director address:

\_\_\_ You did not request an appeal hearing to NAD prior to entering into mediation or ADR. You must write to the Assistant Director of NAD at the following address. Your request must be postmarked within \_\_\_ days from receipt of this letter. This represents the difference between 30 days and the number of days you took after the adverse decision to request mediation or ADR.

NAD Assistant Director address:

### **Information regarding appeals**

You have the right to an appeal hearing within 45 days of NAD's receipt of your request. You or your representative or counsel may contact this office anytime during regular office hours in the 10 days following the receipt of your request for a hearing to examine or copy relevant non-confidential material in your file. Photocopies will be provided to you. Your representative or counsel should have your written authorization to represent you and review your file.

The NAD Hearing Officer will contact you regarding a time and place for the hearing. You may also request a teleconference hearing in lieu of the face-to-face hearing. At any time before the scheduled hearing you may also request that the Hearing Officer make a decision without a hearing. If you do, the Hearing Officer's decision will be based on the Rural Development file, any written statements or evidence you may provide, and any additional information the Hearing Officer thinks necessary.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants based on race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract), or because all or part of the applicant's income derives from any public assistance program. Department of Agriculture regulations provide that no agency, officer, or employee of the United State Department of Agriculture shall exclude from participation in, deny the benefits of, or subject to discrimination any person based on race, color, religion, sex, age, disability, or national origin under any program or activity administered by such agency, officer, or employee. The Fair Housing Act prohibits discrimination in real estate-related transactions, or in the terms and conditions of such a transaction, because of race, color, religion, sex, disability, familial status, or national origin. If an applicant or borrower believes he or she has been discriminated against for any other reasons, that person can write the Secretary of Agriculture, Washington, D.C. 20250. Applicants also cannot be denied a loan because the applicant has in good faith exercised his or her right under the Consumer Credit Protection Act. If an applicant believes he or she was denied a loan for this reason, the applicant should contact the Federal Trade Commission, Washington, D.C. 20580.

cc: NAD Assistant Director

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